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ABSTRACT

To generate a theoretical model for future interpretation, this study analyzed the 1985 Indiana Legislature concerning educational policymaking in public school funding. Previous research indicates that the classical rational actor model of policymaking inadequately addresses multidimensional pressures at work in state legislatures. A model is needed that would be useful in interpreting or giving meaning to policy decisions. This analysis of legislative actions, however, did not produce a clearly defined model. Instead, the analysis yielded generalizations that operate within a complex political setting, which include the following: (1) Indiana is a conservative state with beliefs in local control and a conviction against change initiated by outside forces. Policymaking is thereby insulated, and the legislature carries on a traditional treatment of the funding formula rather than assessing broader proposals. (2) Concerning Indiana's internal politics of education, key spokespersons (primarily superintendents) are heeded by legislators on educational matters. That many positions are based upon patronage brings little expertise and creates political factions. (3) The cumbersome funding formula, known to a powerful minority, prevents understanding of specific actions. Further research on Indiana's legislated educational policymaking is needed to sharpen the assertions in this study and to understand how policymaking influences public school practice. Appendices (consisting of interview questions and the Indiana formula for local tuition support) and two pages of references are included. (CJH)

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PUBLIC SCHOOL FUNDING AND LEGISLATED
POLICY-MAKING: A CASE STUDY OF THE
1985 INDIANA GENERAL ASSEMBLY

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THE PROBLEM

The Need for the Study

A widely noted characteristic of American public education during the last thirty years has been its chameleon-like behavior of shifting from one reform movement to another. Attesting to the strength of this characteristic, Tanner (1984) has argued that the schools of today have come to regard this shifting in policy as a part of the ceremony, and if the contradictory demands and prescriptions for reform are not carefully interpreted, then the schools are destined to ride whatever socio-political tide is dominant. Yet, interpreting the demands may not be sufficient for the schools to regain control over their direction. The current reform movement is characterized by confusion over what policies are essential and what are the best means of implementing selected policies (Adler, 1982; Boyer, 1982; National Commission on Excellence in Education, 1983; Goodlad, 1983). Additionally, the current reform effort is exceptional because of several noteworthy circumstances: (1) a seemingly unending attack on education by the media; (2) political candidates of all parties and at all levels marking education as a campaign issue; (3) the increased strength of teacher organizations as political lobbyists; and, (4) the emerging politically-driven process of policy-making in education (Rubin, 1984; Williams and McGowan, 1984).

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It is the last of the above-mentioned circumstances--that of policy-making--that holds the key to predicting and understanding the outcome of the current reform movement. Consider the following:

- States have created upwards to 290 high-level task forces or commissions to consider the quality of education and to design educational reforms within the respective states.
- At least 35 states have increased high school graduation requirements.
- A minimum of 25 states have revised curricula and have established new policies regarding textbooks.
- Upwards to 16 states have experimented with longer school days and/or years.
- At least 12 states have enacted or are considering significant increases in funding of public schools (Kirst, 1984).

In every instance of noted policy-making over the last four years the leadership for change has come from the state. Speaking to the extent of this intervention by states Ronald Brandt has noted, "A good many governors, legislators, and other state officials have concluded that they cannot wait for local districts to decide what kind of schools they want. They are demanding action and, with an eye on the ballot box, are taking the reins themselves"(Brandt, 1984, p. 3).

The recent reform movement signals what amounts to a major transformation in the way educational policy is made. In short, policy-makers are no longer professional educators but, instead, policy-makers come from a broader socio-political sphere such as state legislators, governors, special interest

groups, and the media to name only a few. It is a long held truism in education that policy-making is inherently a political process; but, the recent round of activity in policy-making has caught educators off guard. It would seem that influence, power, personal agendas, diverse perspectives, and compromise--all concepts that characterize the politics of government--are now concepts that equally apply to the politics of education (Berreth, 1984). Thus, if educators are to know what ends they are expected to achieve they must be knowledgeable of the politically-driven, policy-making apparatus in operation.

To accurately perceive the legislatively-driven, policy-making process in operation is, however, no easy task. Competing models to explain the ever-expanding role of state government in Educational policy-making in education have recently emerged. Attention has been given to state legislatures (Bailey, 1962; Iannaccone, 1967), interest groups (Mazzoni, 1985; Mazzoni and Malen, 1985; Wilhelm, 1985), political bargaining (Campbell and Mazzoni, 1976; Malen, 1985), and special issue group networks (Kirst, Meister, and Rowley, 1985). One factor continually emerges from all the studies--the classical rational actor model of political policy-making is inadequate to address the multi-dimensional pressures at work on the action of state legislatures.

What is needed, then, is the generation of a model that would be useful as a guide in interpreting or in giving meaning to legislatively-derived policy decisions in education.

Purpose of the Study

Legislated policy-making, as noted earlier, has been studied from a variety of conceptual and methodological perspectives (Malen, 1985). Both

the conceptual/theoretical and methodological perspectives of this study were selected to aid in meeting two projected objectives. The first was to observe and record the actions of the 1985 Indiana General Assembly relative to legislated educational policy-making in public school funding in Indiana. The second was to analyze the observed and recorded actions of the 1985 Indiana General Assembly for the purpose of generating a grounded theory (Glaser and Strauss, 1967) to be used in future interpretations and applications. This paper presents the analysis of the observations made and offers a "first step" in the consideration of a model that may be useful in future inquiry and explanation of legislated policy-making regarding public education in Indiana.

Methodology

In order to facilitate the examination and analyzation of specific legislative action and policy-making in an on-going decision process several perspectives were combined to provide a unified approach. Since the targeted legislative action did not occur in a vacuum but rather was the result of an on-going policy-making process, it was necessary to pursue an historical analysis of funding policy in Indiana. The year 1973 was selected as the starting point for this analysis since, according to state statute adopted in that year, Indiana has "effectively had a system of full state funding of its local public elementary and secondary schools" (Lehnen and Johnson, 1984, p. 10).

Data sources for the historical review included public documents, secondary source material, and informal interviews with personnel in the Indiana State Budget Office and the Indiana Department of Education. This

helped establish the current context of public school funding policy in Indiana as well as provide direction in the initial construction of an open-ended interview to be used with key legislators, legislative staff members, and lobbyists. In addition to the above mentioned documents and interviews, the researcher attended hearings and meetings of various commissions and committees charged with reviewing school policy in Indiana which encompassed funding policy and with making recommendations to the 1985 Indiana General Assembly and/or the Governor of Indiana.

During the months of January through March of 1985, the researcher observed the 1985 Indiana General Assembly through attendance at committee hearings and sessions of both the House and Senate. In addition, interviews were conducted with the chairpersons of the House Ways and Means Committee and the Senate Finance Committee. Fiscal analysts and staff members appointed to both committees were interviewed as were several members of each committee. Lobbyists chosen for interviews included representatives of teacher, school administrator, and school board organizations, and other special interest groups, such as Farm Bureau.

As information and data were gathered it was reviewed and compared to previously gathered data for purposes of validation and to detect, if possible, any meaningful patterns or concepts which might be emerging. The procedure used to facilitate this portion of the study was not guided by the theoretical-deductive process but rather by the analytical inductive process that allows the discovery of theory from data--grounded theory (Glaser and Strauss, 1967; Glasser, 1983; Kaplan, 1964). Under this methodology the researcher enters the identified setting and begins data collection. The

data are examined for key issues, recurrent themes or events, or activities that begin to yield categories of focus. As more data are collected the initial categories are constantly compared to the new incidents until a pattern emerges that suggests a model for guidance. The model is then held to the event under study to determine the fit of the model to the social processes and relationships detected by the data.

Selected techniques were utilized that were designed to reduce bias and error which included the researcher taking and maintaining a neutral position during the interviews, the giving of assurances to the respondents of the confidentiality of their responses, and the use of a structured interview format which allowed for open-ended responses and the opportunity to pursue additional lines of thought. Furthermore, several interviews with the same respondents were held at different points during the data gathering to refine positions taken, to clarify emerging issues, to provide a procedure for validation through consistency of response and to triangulate emerging information through the interview method. Additionally, post-legislative session interviews were held to help provide a framework for interpretation of legislative action

Theoretical Perspective

Selection of the inductive, constant-comparative methodology was based upon a theoretical perspective that begins with a noted growing dissatisfaction with extant models used to explain political policy-making. The long held classical model of government as rational actor was the first to be scrutinized (Allison, 1971). This model assumes that what must be explained is an action that reflects purpose or intention, and further

assumes that the actor is the government. The model then suggests that the action chosen is a calculated solution to a strategic problem. The resultant outcome is an explanation of what the government (rational actor) was pursuing when it acted and how that action was a reasonable choice from among alternatives, given the government's objectives. As can be noted, this model assumes that government is a collective of one mind and will operate rationally to serve it's best interests. This model does not account for the conglomerate of individuals and subgroups within the government, each with a life of its own and an involvement in actions (Allison, 1971).

The political systems approach, as explicated by Easton (1965), provides an overview of the decision-making process in politics. His systems theory approach views policy-making as inputs of demands and supports, and the conversion of these as outputs of governmental decisions. While he directs attention to the relationships among the political actors, the model is limited in its ability to detect the dynamics of the conversion process to outputs (Malen, 1985). It does not provide insight into how decisions are made or policy is developed (Anderson, 1975).

Yet the strongest of the noted shortcomings of the models of political policy-making lies not so much in the internal workings of the models but in the variability of the phenomenon they attempt to explain. There is so much variability in educational policy-making apparatus between states that the models lose their generalizability if they attempt to become specific enough to detect the subtleties within each state (Elmore, 1984). The extant models, therefore, are useful in providing an orientation but must be augmented or contracted as in an inductive, constant-comparative design.

This study began by incorporating the political systems model of Easton (1965), particularly the intra-societal and extra-societal environment, with the political culture components as outlined by McDonnell and McLaughlin (1982). This served as the external organizational framework while Allison's (1971) governmental politics paradigm, with particular attention to power and influence, was used to organize the more specific activities occurring in the legislative process.

Background: 1973 to 1984

From 1949 through 1973 Indiana followed a constant foundation funding formula for its schools. The minimum foundation program was funded by a mix of local and state tax monies. The State guaranteed school corporations a fixed amount of dollars per pupil (the foundation level) if the school corporations imposed a given property tax rate (the qualifying rate) in each school corporation. During this period the State adjusted the foundation level upward and raised the qualifying rate, but the formula stayed basically the same. At least to the level of the foundation the formula was "equalizing" in that each pupil in all school corporations was given the same dollar amount in exchange for the imposition of the qualifying rate. Above the foundation level, however, additional expenditures were dependent upon the assessed valuations per pupil available to each school corporation through local property taxes. Thus, the wealthier school corporation based on assessed valuations could and often did, raise additional dollars for school programs. In fact, 1973 was the last year in which the foundation formula was in full use; the foundation level was established at \$445 per pupil with the average general fund expenditure level being \$203 per pupil (Lehnen and Johnson, 1984).

In 1973 the Indiana legislature, following the example of other states changing their school financing system (Elmore, 1984) in essence brought an end to the foundation financing system it had used since 1949. The legislature acted to "freeze" property tax revenues. Schools no longer could raise additional funding through the local property tax. Further, if assessed valuation increased, local property tax rates had to be reduced. The additional monies for school operations were to be provided by the State, with the control over the distribution of this additional revenue to remain with the State (Lehnen and Johnson, 1984). The tax freeze substantially increased the State share of the local/state tax mix with an eye to achieving greater equalization of revenue to public schools (Negley, 1983). The extent to which the State assumed a greater responsibility for funding of the schools is highly evident. In school year 1972-73 local property tax accounted for 65 percent of the funding with the State providing only 35 percent of the funds (Negley, 1983). In school year 1984-85, however, those percentages were reversed (Negley, 1984).

While the foundation formula did remain in place until 1978 with upward adjustments in the foundation level during 1976 and 1977, several factors came together to produce a situation to end the implementation provisions of the foundation formula. Since no one expected schools to reduce their spending (yet property tax levies were frozen and almost all schools were spending above the foundation level) the State stepped in to guarantee schools that additional funds would be made available. Under this program from 1974 to 1978 schools were guaranteed their previous year funding plus a flat grant of so many dollars per pupils. Each school then computed the State's

distribution to them using both the foundation level and the guarantee program, receiving whichever amount was the greater. By 1978 all schools were using the guarantee program (Lehnen and Johnson, 1984).

In 1979, faced with reduced state revenues, the legislature moved to relax the property tax freeze. This, in turn, reduced the number of dollars spent by the State while allowing some growth in revenues for local schools. In 1980 the State reduced the revenue distribution to schools with declining enrollments. More specifically, "for 1980 and each year thereafter, a school corporation's entitlement is reduced by one-third of the percentage by which enrollment decreased from the prior year" (Lehnen and Johnson, 1984, p. 8). This action resulted in a new term in Indiana school funding--the "deghoster" formula. Also, in 1980 and 1981 the guarantee by the State changed from a flat rate to a percentage increase.

The year 1982 brought another significant change within the funding formula. In this year the levy freeze established in 1973 was changed to a rate freeze for this year only. Additionally, each school corporation could transfer during this one year 15 cents from the cumulative building fund rate to the general fund rate. This allowed the local property tax to assume a larger portion of the increasing costs of schooling. Schools experiencing an increase in enrollment were also permitted an increase in funding which was the same percent of increase in enrollment over the prior year.

In 1983 another type of transfer was permitted. This time schools could transfer from their cumulative building fund an amount equal to 7 percent of their 1981-82 utility costs. By 1984 the formula included the guarantee of \$80 per pupil plus 3 percent of the general fund budget reduced by "deghoster"

or increased by percent of enrollment increase with the additional stipulation of a minimum increase of 5.5 percent over the previous year but no more than a 10 percent increase. The levy portion of the formula permitted an increase in the three highest yearly increases in assessed valuation for the past five years.

From the above description of funding policy in Indiana several generalizations can be drawn. First, the State has moved to a system of full State funding of the public schools. Even the local property tax and the levy that can be raised is controlled by the General Assembly. Second, while the overall policy remains in place regarding public school funding, the General Assembly has devised a new distribution formula yearly. As Lehnen and Johnson note, "To understand why a particular school corporation is entitled to receive a particular sum of money, one must understand not only how the foundation formula worked in 1973, but also each year's distribution formula since that date" (1984, p. 11). Third, because of the above noted generalizations, the formula is highly complex and cumbersome for many. As was noted by an aid to the Governor of Indiana the funding formula is a prime example of knowledge is power. Those who know and understand the formula come closer to influencing its shape and form than those who do not. (For an example of the complexity see Appendix B which is Section 13 of House Enrolled Act No. 1514, the State support section of the funding formula enacted in 1985.)

The Setting for the 1985 Indiana General Assembly

The latter part of 1984 saw several events that were to have a bearing on the action of the 1985 Indiana General Assembly relative to public school

funding policy. First, and singularly the most important, was the November election. The fall campaign of all candidates for state office hammered at education issues. The incumbent gubernatorial candidate, Robert D. Orr (R) won the election for his second term campaigning upon an educational platform that called for a continuation of his "Decade of Excellence." The program which was started during his first term, called for a continuation of initiatives such as "Prime Time" (a program aimed at reducing teacher/pupil ratio in the first three grades), student competency testing and remediation, summer school programs, adult education, gifted and talented education, and teacher shortage financial assistance fund. The new initiatives for Phase III of the "Decade of Excellence" called for the establishment of the Indiana Endowment for Excellence in Education, a teacher quality and professional improvement program, summer institutes for gifted and talented students, and a school discipline specialists program. As should be noted, all the programs are categorical aid programs calling for their own budget external to any school funding formula considerations.

But the newly-elected, second-term Governor and the newly-elected incumbent State Superintendent of Public Instruction Harold H. Negley (also a republican) did speak to funding formula concerns. In his recommendations on education legislation to the 1985 Indiana General Assembly, Governor Orr stated:

It is therefore my recommendation that the Indiana General Assembly give serious consideration to funding local schools in the next biennium in such amounts as to represent an increase over and above expected inflationary costs amounts. This would result in schools being given the opportunity to improve and expand currently existing programs. Recognizing that considerable work is ongoing with respect to an appropriate school funding formula, it is not possible for me to specifically detail at this

time the elements of such a formula. I expect the legislature to review the school funding formula with a particular eye toward equity issues (Orr, 1984).

The most important concept to come from his statement was "equity issues."

The set of recommendations were also signed by State Superintendent Negley.

The newly established State Board of Education, chaired by Superintendent Negley, proposed a different set of recommendations. In addressing the state funding formula, the Board recommended that consideration be given to either incorporating changes in the existing basic grant formula or to developing a new basic grant formula which would contain the following elements:

- (a) maintaining the current mix of state (2/3) and local (1/3) funds;
- (b) restoring of equalization concepts; (c) granting local leeway; (d) return to the tuition support distribution schedule as it existed prior to 1983; and,
- (e) basic grant increases of \$199 million in 1985-86 and a \$186 million increases in 1986-87 (Negley, 1984). With regard to the last recommendation the Governor has suggested that only \$90 million be allocated in each of the years. Again, the major word in the elements suggested was "equity."

Two other events occurred in the fall of 1984 that had a direct bearing on the General Assembly and school funding policy. The first was a study of the effects of Indiana's school funding formula on the State's public education system. The report was authored by Robert Lehen and Carlyn Johnson and funded by the Lilly Endowment, Inc. It concluded by calling for the concept of an open-ended equalization plan containing the elements of raising expenditures for Indiana schools to the national level (average), returning more fiscal control to local school corporations, and establishing a minimum standard of equity in local tax effort (Lehen and

Johnson, 1984). Based upon a review of national and state data, they proposed that in order for the plan to be implemented the following main features had to be achieved:

1. The qualifying (minimum) tax rate will be \$2.50 per \$100 assessed valuation.
2. The minimum general fund expenditures per student will be \$2650.
3. Growth in general fund expenditures cannot exceed 17 percent annually.
4. The State will fund the difference between the foundation (\$2650 in SY 1985-86) per pupil and the amount raised from a \$2.50 general fund property tax rate.
5. A school district may raise its general fund property tax rate above \$2.50 subject to the 17 percent maximum growth rate. The State will share in expenditures above \$2650 at 75 percent of the rate at which it shared up the the foundation level (Lehnen and Johnson, 1984, p. 87).

The Indiana State Teachers' Association embraced the recommendations of the Lehnen and Johnson study and made them a major part of their legislative program for 1985 (Indiana State Teachers' Association, 1984).

The second report to be issued in the fall of 1984 was the final report of the Governor's Select Advisory Commission for Primary and Secondary Education. The Commission had been established in 1982 and given the charge of "identifying barriers which keep Indiana's primary and secondary schools from attaining high quality education for Indiana students, and to

make recommendations to the Governor and to the legislature which would contribute to removal of these barriers" (Governor's Select Advisory Commission for Primary and Secondary Education, 1984, p. v). In its final report the Committee targeted school funding among other areas of concern. After hearing testimony from school personnel and finance experts, and after shifting through significant amounts of data, the Commission attempted to reach consensus on objectives for a school funding formula. Among the objectives noted were the following: (1) all pupils, regardless of geographic location, should be able to receive funds to provide an adequate education; (2) the distribution formula should be specific enough to allow for year-to-year and long range planning; (3) financial support for the education system should be a function of state wealth and not that of the local district; and (4) the state plan should not restrict local districts from raising additional funds to provide programs and services desired by the local district (Governor's Select Commission, 1984).

Once consensus was reached on the objectives they were then prioritized or "targeted" for funds. This activity then lead to their final set of recommendations regarding the funding policy of Indiana. Essentially the Commission called for a funding system composed of six "desirable components" implemented gradually over a period of five years. The desirable components included: equity to state funds; local leeway to raise additional resources; weighting provisions to account for identified differences in educational needs of pupils among the 304 school corporations; allowing local taxes to be similar in all districts; sufficiently flexible to be responsive to social, economic, and demographic changes; and, include categorical grants as incentives for improvements in school practices (Governor's Select Commission, 1984).

The 1985 Indiana General Assembly came together in a climate of increased interest in education and particularly with regard to school funding policy. Although wide variances in amounts existed, the Governor in his recommendations, the new State Board of Education, and the two reports cited above all agreed that an increase in school funding was needed. The most radical approach, that of Lehen and Johnson, called for a major change in policy to an open-ended equalization plan. All except the Governor called for more local leeway and discretion in the funding of local schools. Certainly, the 1985 Indiana General Assembly did not lack agenda items with regard to the funding of the State's public schools.

Findings of Observations and Interviews

Interviews with staff from the State Budget Agency, State Department of Education, and the Governor's office helped to identify key legislative personnel to be interviewed. The interviews were conducted using a pre-determined set of questions but which did, however, allow for other avenues of thought to be pursued as they emerged. The interviews ranged in time from twenty of forty-five minutes in length depending upon time available to the respondent. In several instances, more than one interview was held with a respondent to gather new perspectives or insights on issues as they emerged in the legislative process. Appendix A is a listing of the predetermined questions used in the interviews.

School goals and school funding. All legislators interviewed believed the goal of the schools should be to provide an opportunity for each child to receive a "basic or general education." For most, this meant acquiring

a level of competency in fundamental skills, while others included opportunities to study advanced courses. Those legislators serving on education committees were more open to this topic and talked more freely of other concerns. But, when each new purpose was discussed, it invariably led back to a concern about basic skills. When queried concerning the relationship of goals and school funding, the responses were more varied. All felt that a direct relationship existed, but opinions varied on whether or not the State of Indiana provided sufficient funds to reach those goals. Several legislators noted that when Indiana is compared to other states in per pupil spending the State looks as if it is making a meager or inadequate effort. However, many were quick to note that when one compares the portion of the total state budget which goes to education with other expenditures, Indiana looks much better. One senator felt that more than enough funds were allocated to meet the goals and that if Indiana pupils were deficient in specific skills, it was not the fault of the legislature and the allocation of funds, but rather, poorly organized and operated schools. In countering that position, a member of the House expressed deep concern that Indiana was not making a strong enough commitment to school funding and that all indications were that Indiana would fall further behind other states. The difficulty in bringing together funding policy and school goals was sharply noted in an interview with a ranking legislator on the House Education Committee. He initially noted that "you get what you pay for in schools." But later in the discussion on this question he stated, "Spending money doesn't necessarily mean you have a good or better school."

Interestingly, when the lobbyists were interviewed on the same topics their answers were much less consistent. The education lobby was generally more conversant on the goals of public education stating a broad perspectives approach ranging from basic skills to gifted and talented to vocational programs but with more emphasis given to allowing each pupil to reach full potential. On the relationship of funding to goals, they, too, perceived a direct relationship. None, however, expressed the view that the schools were over-funded; instead, the variability ranged from moderate increases with an eye to holding down local property taxes to full scale new funding initiatives.

The funding formula. When questioned about what concept(s) guide the development of a public school funding formula all legislative respondents of both houses and parties concurred that the major concept was "equalization." Beyond this concurrence, however, vast differences existed as to how best to accomplish this concept in the formula. While the legislators firmly believe that the State should provide the majority of dollars per pupil, there was a strong sentiment that the local school districts should do their "fair share" in funding schools. As was noted by many respondents the local property tax rates throughout the State are not the same. Thus, if a school district had revenues below the State average per pupil expenditures, but also had a tax rate significantly lower than other corporations, that district should not be eligible for additional State funds unless some efforts were made locally to raise additional revenues. The legislators expressed a desire to help those corporations that were below the state average in per pupil expenditures only if the local corporation was making the maximum effort

to raise revenues locally. No consideration of type of pupil or educational need was considered as a part of the "equalization" concept. (The State does provide weighting for students in special education and vocational programs but these are handled by a separate formula.)

When questioned further on other concepts only a few were mentioned and only one concept was mentioned by more than two legislators, namely the issue of incentives. Several legislators felt that the funding formula should be based upon the performance of students, teachers, and administrators. They felt that if additional dollars for school could be linked with performance the quality of Indiana's schools would be enhanced. While the principal discussion and debate centered around the concept of equalization, the concept of incentives was noted. In fact, when questioned regarding the changes that needed to be made in the funding formula many suggested that incentives and rewards for raising student performance should be addressed by the funding formula.

Other changes and their relationship to specific educational programs elicited the longest and most varied response from legislators. Principal among the changes suggested was the "career ladder" approach to teacher pay. Also suggested was earlier enrollment of pupils in mandated pre-school programs. But, the emphasis returned again to funding being based upon outcomes such as test scores (achievement), reduced drop-out rates, improved teaching behaviors (although never clearly defined by those suggesting this), and improved administrative structure (again, not well defined). One legislator on the House Education Committee noted that schools are currently rewarded with more funds for summer remedial programs while schools that have

high achievement do not receive this money. He felt this was highly unfair and that funds should follow success rather than failure.

During this point of the interview an interesting contradiction was noted that was expressed in almost the same words by each legislator. On the one hand all respondents felt that local discretion should determine how funds are expended, but on the other hand, the legislature should allocate any new funds beyond inflationary growth through categorical funds. All stated that the legislature should not become a super schoolboard, but they were adamant that the legislature should retain control of new revenue sources and direct their use through categorical funds.

Lobbyists concurred with the legislators when they noted that equalization was the dominate concept driving current funding formula discussions. While they agreed that equalization was needed at least to a certain level, they expressed fear that Indiana schools were being forced to be "average." The funding formula, they noted, was aimed at raising the revenue base of the lower spending school corporations while placing a cap on the high spending schools. Thus, while the difference between the high and low corporations will be lessened, no growth can be experienced by the wealthier districts. In fact, one lobbyist noted that the current funding policy that started in 1973 has slowly eroded the quality programs that existed within the State. He felt Indiana no longer has any "lighthouse" schools and that the cause was directly attributable to the funding policy.

Regarding potential changes in the funding formula, all respondents perceived a need for additional funds although differences were noted as to the source of such additional revenue. Most felt the burden of additional

funds should be shouldered by the State and one expressed a feeling that no additional burden should be placed on local property taxes. When questioned regarding the suggested changes noted by legislators in general, no major reaction either for or against the proposals was noted. It was interesting to note that the teachers' lobby was at least favorable to a "career ladder" plan and that no lobbyist expressed a negative feeling toward the continued practice of categorical funding of new programs. The only feeling expressed was that the categorical funding, like the basic formula, was usually too little to truly accomplish the program being funded.

The Indiana State Teachers Association did promote a full legislative package that suggested changes in the funding formula (basically increased funds) and other programs such as in-service teacher education, Primetime, testing and remedial programs, basic competency programs, special education, adult education, and gifted and talented education. All of the additional programs suggested specific budgets and appropriations in addition to increases to the basic funding formula.

Outside influence on the funding formula. When questioned as to any anticipated change in the funding formula being due to external pressures, the legislators were more ambivalent in their responses. They noted that they and their colleagues in the legislature were well aware of national reports and happenings in other states such as Tennessee and Texas, but they generally felt those reports and actions to have little or no relationship to Indiana. Instead, they felt the current debate and discussions focusing on equalization and maintainance of the current policy regarding funding were more appropriate actions for Indiana. A feeling of "await-and-see how programs

in other states do" was a strong sentiment among the legislators. State reports such as the Lehnert and Johnson (1984) study or the Governor's Select Commission Final Report (1984) were also seen as having little or no impact on the current funding debate. Lehnert and Johnson, it was noted, picked a dollar amount based upon national data and arbitrarily established where Indiana should be regarding per pupil expenditures. In contrast, Indiana's approach has been to establish first the number of dollars available and then divide by the number of pupils in order to establish per pupil expenditures. Almost all felt the Lehnert and Johnson approach to be unrealistic. The Governor's Select Commission report brought out a very neutral reaction. It was perceived as being more realistic but advocating too many changes to be realistically accommodated in any one year.

The lobbyists, when responding to outside influences, took a different track. They pointed to recent mandates or laws that increased high school graduation requirements and changes in teacher certification as evidence of Indiana's reaction to the national climate regarding education. They were also quick to note that as the legislature and the State moved to increase graduation requirements no new funding followed; thus, while schools were asked to do more in areas such as science, mathematics, and English, no new funds were allocated. The teachers' lobby hoped that the legislature would be swayed by the Lehnert and Johnson study but did note that it appeared that the State would continue to press for equalization that brought the lower spending corporations up while restricting (or at least slowing) the rate of revenue growth of the wealthier districts.

When questioned regarding the possibility of new revenue sources being considered to fund schools, the response from both legislators and lobbyists

was negative. While both groups noted that a state lottery had been suggested, they were quick to point out that the Speaker of the House was adamantly opposed to such a measure and that it would not be a possibility at this time. When responding to this question, one senator reiterated his belief that the schools did not need additional funds but rather better management of the funds already allocated. It was clear from all respondents that the State and the General Assembly were not inclined to consider additional funding sources during this legislative session.

Legislative Action. With the overriding concept of equalization in place and the agenda set to maintain the existing funding policy, the 1985 General Assembly went to work on the basic school funding formula. The debate centered on the nature of equalization, how best to achieve it, and what should be the State guarantee. The process followed a recurrent pattern in the determination of the school funding formula in Indiana. Starting in August 1984 and continuing through December 1984 the State Budget Committee held hearings and took testimony from all units that receive state support. The Committee was comprised of two members of the House of Representatives (one Democrat and one Republican), two members of the Senate (one Democrat and one Republican), and the Director of the State Budget Agency. After the hearings had concluded the Committee prepared the proposed state budget for the next biennium (1986-87). Thus, the total dollar amount for school funding was tentatively established at this point; the next step was to determine the distribution formula.

The bill for the school funding formula originated in the House. Once deliberations in that body had concluded the bill was passed to the Senate

for their consideration. Amendments to the bill were made and the bill was returned to the House. After some debate the House dissented to amend which threw the bill into the Conference Committee. The Committee was composed of two members of the House (one Democrat and one Republican) and two members of the Senate (one Democrat and one Republican). It is at this point that a compromise between the two versions must be reached. All four members must concur with the final version and sign the compromised legislation. If concurrence cannot be reached the dissenting member or members are referred back to the leadership of either the House or Senate after which an alternate is appointed. Thus, the power to alter any funding bill rests with the Conference Committee. Once out of the Committee the bill returns to both Houses for final approval and passage.

House Bill 1514/School Distribution Formula for Tuition Support for CY 1986 and CY 1987 followed this procedure. The House version of the bill built on the current formula in use but proposed three new components. First, the proposed formula eliminated the "deghoster" and instead suggested an "equalization factor." This factor would operate as a target by which the distribution of revenues per student per school would be measured. Each school corporation would divide their current revenues per student into \$2200, subtract 1, divide by 10, and then add 1 to reach their multiplier in the total formula. For example, if Rich School Corporation had per student revenues in 1985 of \$3600 and Poor School Corporation had per student revenues in 1985 of \$1600 then the multiplier for each would be constructed as follows:

$$\text{Rich } [\$2200/\$3600 - 1] / 10 + 1 = .9611$$

$$\text{Poor } [\$2200/\$1600 - 1] / 10 + 1 = 1.0375$$

The figure of \$2200 was selected because it represented approximately the average state expenditures per student.

Second, a rate floor of \$2 was proposed and it was to be phased in over a four year period. Third, a guarantee of \$1750 per student was proposed for 1986 and a guarantee of \$1950 per student for 1987. The bill did retain the past practice of using an Assessed Value Growth Quotient which is calculated by taking an average of the three highest percentage increases in assessed valuation from the last five years to be used in local tax computations. It did set a floor of total revenue (i.e. state aid plus property tax levy) growth of 5.5 percent in 1986 and 5 percent in 1987. Additionally, it capped total revenue growth at 10 percent for both years.

The bill was amended by the Senate and sent back to the House. The House dissented to the amendments and placed the bill in Conference Committee. The final version that came out of the Committee and was enacted highly favored the Senate version. For example, the "equalization factor" was retained but the figures of \$2200 in 1986 and \$2350 in 1987 were adjusted upwards to \$2250 and \$2400 respectively. Also, the qualifying rate was set at \$2 in 1986 and \$2.40 in 1987, thus disallowing the rise in local levies to be spread over more years as proposed in the House version. This has the effect of increasing the local commitment and keeping the State share down. The guarantee per pupil was also adjusted upward to \$1900 in 1986 and \$2100 in 1987. The floor of total revenues was established on a sliding percent basis of 4, 5, or 6 percent dependent upon the previous years per student revenues and a cap of 10 percent was retained.

The major feature of the bill was the combination of the "equalization factor" and the increase in the local levy. This had the effect of

"bottom up" equalization and would directly effect the bottom 34 of 304 school corporations in the State based upon per pupil expenditures. The procedure which was followed in order to arrive at the final legislation was similar to past years. Most legislators that were interviewed after the adjournment of the 1985 session felt the process was no different than that which they had experienced while in office. They did note that passage of the school funding formula is an eleventh hour action and that while one may not be satisfied with all components of the bill it still "is the only game in town which, if voted down, would result in no change at all." It should also be noted that the final version of the formula that passed both Houses highly favored the Senate version. The reason for this expressed by most legislators was that the Conference Committee members from the Senate were of a stronger personality and so were better able to persuade the Committee of their position. In fact, it was noted that this had been true over the last five to six years.

Conclusions

The purpose of this study was to observe the actions of the 1985 Indiana General Assembly relative to legislated educational policy-making in public school funding and to analyze those actions for the purpose of generating a theory (model) to be used in future interpretations and actions. The analysis of the actions, however, did not produce a clear-cut theoretical model. Instead, the analysis yielded a number of constructs/generalizations regarding legislated policy-making in Indiana that exist and are operating within a very complex political setting. Thus, while no complete model can be advanced, several concepts can be advanced that may be of use in further study of legislated policy study in Indiana.

1. Indiana is noted as a conservative state with a strong belief in local control and equally strong conviction against change initiated by outside forces (Kirst, Meister, and Rowley, 1985). The strength of this conviction is illustrated by Indiana's reluctance to even consider a state lottery as an additional revenue source when the states bordering Indiana have had lotteries in place for several years. Also, Indiana has no minimum competency test required for high school graduation in spite of the widespread acceptance of this by other states in recent years. Thus, agenda setting and policy-making appear to be insulated from external pressures. During the 1985 General Assembly, locally disperate school corporations vied for special attention in the funding formula to meet their local needs. The legislative package prepared and presented by the State Department of Education was first acknowledged and then practically ignored. The major thrust of the funding plan offered by the Indiana State Teachers' Association was likewise ignored. Two reports that received attention in the media were given little notice by the legislature. It would appear that the legislature draws within itself and carries on a traditional treatment of the funding formula rather than engaging in a deliberative assessment of various policies or proposals offered by the broader environment.
2. Internally, Indiana (with regard to the politics of education) is best viewed as a Type I state in Iannaccone's Typology (1967).

That is, key spokespersons are identified (usually particular superintendents) who will be strongly heeded by legislators on educational matters. Further, interest groups or lobbyist in education do not fare well in initiating legislation but instead are more effective in preventing legislation from passing. This factor was certainly evident in the 1985 Indiana General Assembly's operation. It is further supported by Kirst, et.al. when they noted that in Indiana "the links between state interest groups and state officials and inter-state policy issue networks have been weak (1985, p. 22-23)." Furthermore, the formal structure of educational authority in the State is weak when compared to many other states. The State Superintendent is an elected official and the office is sought on a partisan ballot. Many of the positions within the State Department of Public Instruction (now the Department of Education) are patronage positions. Patronage positions are not restricted to the Department of Education, however. It has been noted that "nearly one-third of all jobs in state government are based on patronage (Kirst, et.al., 1985, p. 23)." This leads to little or no leadership or expertise being provided by government and leaves the door wide open to political factions gaining great strength.

3. Another generalization is that the funding formula policy currently being pursued by Indiana is highly complex and cumbersome. The language of the funding formula does lend itself to direct

translation for stepwise worksheets that are useful to school corporations; but in its specificity, the formula loses all contact with reasoning as to why certain actions are taken and not others. Unless an interested citizen is willing to invest a large amount of time to studying and in questioning those who do understand the formula, the formula and its meaning will remain an abstraction dealt with by very vague and broad generalizations. As was noted in the study, those who know and understand the formula share in the power to influence its shape.

4. A final generalization grows directly from the complexity of the formula. As was noted earlier in the study, the current funding formula and policy were established in 1973. Over the years the formula has expanded or contracted given the dynamics of political discontent. For example, in 1985 the General Assembly was greatly concerned with achieving equalization with the formula and acted accordingly. The "degoster" that was instituted in 1980 and retained through 1985 was dropped from the formula and the "equalization factor" was added. While not necessarily attributable to the funding policy followed in Indiana, this does illustrate that actions regarding funding of schools is unidimensional and disjointed. As a gap is perceived between a described reality and an ideal situation, steps are taken to reduce the gap. But since the dynamics of the socio-political

sphere in which schools operate is highly complex and inter-related, the closing of one gap always opens others; solving one problem seemingly only creates another. This process goes on almost indefinitely and may result in what Boulding (1970) has called "perverse dynamics" in which everybody becomes worse off. What is needed to reduce the effects of the disjointed "perverse dynamics" is a well articulated statement of purpose for the schools. Currently, school funding in Indiana is not driven by school programs (except categorical programs) but rather by an overriding concern about tax rates and levies. If funding policy was based upon school goals that were derived from conscious, deliberate debate and discussion then the disjointed appearance of "deghosters", "Assessed Value Growth Quotients", and "equalization factors" could be eliminated.

Clearly, further research on legislated, educational, policy-making in Indiana is needed to sharpen the focus of the generalizations and assertions that have emerged from this study, and to better understand how the policy-making and agenda setting influence public school practice.

APPENDIX A
INTERVIEW QUESTIONS

1. What do you believe should be the goals of public education?
2. What relationship do you see between those goals and school funding?
3. What concepts guide the development of a public school funding formula?
Which concepts do you support?
4. What changes do you see need to be made in the funding formula in
Indiana? Are these changes attached to any specific educational programs?
5. Is any change in the funding formula that is being contemplated related
to recent efforts for school improvement? For example, has A Nation at
Risk, the national report on excellence, influenced changes in the
funding formula? Has any state report, such as Lehnert and Johnson,
influenced changes? If so, how?
6. To what extent, if any, do you see additional funding sources being
created to increase support of public schools?

APPENDIX B

SECTION 13 OF HOUSE ENROLLED ACT NO. 1514

SECTION 13. (a) Notwithstanding IC 21-3-1.6, the state distribution for calendar year 1986 for tuition support to each school corporation equals the result determined in the last STEP of the following STEPS:

STEP ONE: Subtract:

(A) the sum of:

- (i) the total state distribution for tuition support which the school corporation actually received in the 1985 calendar year; plus
- (ii) the maximum general fund ad valorem property tax levy the school corporation may impose under IC 6-1.1-19-1.5, as adjusted by IC 6-1.1-19-1.6 and IC 6-1.1-19-1.8, for taxes that were first due and payable during calendar year 1985; plus
- (iii) if a school corporation received money under IC 6-1.1-19-4(e)(1)(aa)(i), the sum of money it received under IC 6-1.1-19-4(e)(1)(aa)(i) and IC 6-1.1-19-4(e)(1)(aa)(v) during calendar year 1985; minus

(B) the portion of that total state distribution attributable to the 1985 additional pupil count.

STEP TWO: Divide:

- (A) the STEP ONE (A) amount; by
- (B) the school corporation's 1985 ADM.

STEP THREE: Divide:

- (A) two thousand two hundred fifty (2,250); by
- (B) the STEP TWO quotient.

STEP FOUR: Subtract:

- (A) the STEP THREE quotient; minus
- (B) one (1).

STEP FIVE: Divide:

- (A) the STEP FOUR remainder; by
- (B) ten (10).

STEP SIX: Add:

- (A) the STEP FIVE quotient; plus
- (B) one (1).

STEP SEVEN: Multiply:

- (A) the STEP SIX sum; by
- (B) the STEP ONE remainder.

STEP EIGHT: Multiply:

- (A) one and two hundredths (1.02); by
- (B) the STEP SEVEN product.

STEP NINE: Multiply:

- (A) the school corporation's 1986 ADM; by
- (B) fifty (50).

STEP TEN: Add:

- (A) the STEP EIGHT product; plus
- (B) the STEP NINE product.

STEP ELEVEN: Determine the greater of zero (0) or the remainder of:

- (A) the STEP TEN sum; minus
- (B) the school corporation's 1986 net adjusted general fund levy.

STEP TWELVE: Determine the product of:

- (A) seventy-five hundredths (0.75); multiplied by
- (B) one thousand two hundred seventy-five (1,275); multiplied by
- (C) the 1986 teacher ratio; and multiplied by
- (D) the 1986 additional pupil count of the school corporation.

STEP THIRTEEN: Add:

- (A) the STEP ELEVEN amount; plus
- (B) the STEP TWELVE product.

STEP FOURTEEN: Add:

- (A) the STEP THIRTEEN sum; plus
- (B) the school corporation's 1986 net adjusted general fund levy.

STEP FIFTEEN: Divide:

- (A) the STEP FOURTEEN sum; by
- (B) the school corporation's 1986 ADM.

STEP SIXTEEN: Multiply:

- (A) the STEP ONE (A) sum; by
- (B) the amount determined in the following table:

STEP FIFTEEN QUOTIENT		MULTIPLIER
Greater than	Equal to or less than	
0	2700	1.06
2700	3000	1.05
3000		1.04

STEP SEVENTEEN: Determine the greater of zero (0) or the remainder of:

- (A) the STEP SIXTEEN product; minus
- (B) the STEP FOURTEEN sum.

STEP EIGHTEEN: Add:

- (A) the STEP THIRTEEN sum; plus
- (B) the STEP SEVENTEEN amount.

STEP NINETEEN: Determine the greater of:

- (A) the STEP EIGHTEEN sum; or
- (B) the total state distribution for tuition support that the school corporation actually received in the 1985 calendar year.

STEP TWENTY: Add:

- (A) the STEP NINETEEN amount; plus
- (B) the school corporation's 1986 net adjusted maximum general fund levy.

STEP TWENTY-ONE: Multiply:

- (A) one and one-tenth (1.1); by
- (B) the amount determined under STEP ONE (A).

STEP TWENTY-TWO: Determine the greater of zero (0) or the remainder of:

- (A) the STEP TWENTY sum; minus
- (B) the STEP TWENTY-ONE product.

STEP TWENTY-THREE: Determine the greater of zero (0) or the remainder of:

- (A) the STEP NINETEEN amount; minus
- (B) the STEP TWENTY-TWO amount.

STEP TWENTY-FOUR: Add:

- (A) the STEP TWENTY-THREE amount; plus
- (B) the school corporation's 1986 net adjusted general fund levy.

STEP TWENTY-FIVE: Divide:

- (A) the STEP TWENTY-FOUR sum; by
- (B) the STEP ONE (A) amount.

STEP TWENTY-SIX: Compute the product of:

- (A) the STEP TWO quotient; multiplied by
- (B) the STEP TWENTY-FIVE quotient; and multiplied by
- (C) the school corporation's 1986 ADM.

STEP TWENTY-SEVEN: Subtract:

- (A) the STEP TWENTY-SIX product; minus
- (B) the school corporation's 1986 net adjusted general fund levy.

STEP TWENTY-EIGHT: If the STEP TWENTY-THREE amount:

- (A) is greater than zero (0), then determine the greater of:
 - (i) the STEP TWENTY-THREE amount; or
 - (ii) the STEP TWENTY-SEVEN difference; or
- (B) is equal to zero (0), enter zero (0).

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